

**Report of the Directors and
Consolidated Financial Statements
for the Year Ended 31 December 2012
for
Magyar Farming Company Limited (Group)**

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Magyar Farming Company Limited (Group)
(Registered number: 03430277)

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for the year ended 31 December 2012

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Magyar Farming Company Limited (Group)

Company Information for the year ended 31 December 2012

DIRECTORS:

D B Gunner
S L Weaver
W R N Tapp
C G B Combe
A A Hunter

SECRETARY:

W R N Tapp

REGISTERED OFFICE:

7 Abbey Court
Fraser Road
Priory Business Park
Bedford
MK44 3WH

REGISTERED NUMBER:

03430277 (England and Wales)

SENIOR STATUTORY AUDITOR: Jeremy Allison BSc FCA CF

AUDITORS:

Smailes Goldie Turner Limited
Regent's Court
Princess Street
Hull
East Yorkshire
HU2 8BA

Magyar Farming Company Limited (Group) **(Registered number :03430277)**

Report of the Directors for the year ended 31 December 2012

The directors present their report and the audited financial statements for the year ended 31 December 2012

Magyar Farming Company Limited is a company incorporated in the United Kingdom. Its registered office is 7 Abbey Court, Fraser Road, Priory Business Park, Bedford, MK44 3WH

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of dairy farming, crop production and farming services in Hungary, Serbia and Ukraine

REVIEW OF BUSINESS

Grain prices remained strong for much of 2012, potato prices from the 2011 crop remained low, but rose strongly from the 2012 harvest responding to a smaller European crop. Milk prices strengthened towards the end of the year. The weather in 2012 was very good in the spring resulting in high wheat yields and a substantial sorghum crop for the AD plant. The group remains exposed to fluctuations in agricultural commodity prices, both local and global. The anaerobic digestion plant, which came on stream in June 2011, provides an income stream not directly correlated to agricultural commodities and less exposed to extreme weather events, it has operated successfully during the year.

At 31 December 2012, the company held 48 bull calves (2011: 35), 392 heifers (2011: 452), 223 incalf heifers (2011: 167) and 787 milking cows (2011: 754). During the year the group produced 5,841,664 ltrs of milk (2011: 6,215,561 ltrs).

In addition 25,294 tonnes (2011: 21,892 tonnes) of cereals and oilseeds and 4,750 tonnes (2011: 5,186 tonnes) of potatoes were produced.

PRINCIPAL RISKS

The directors continue to assess the risks associated with significant price movements in agricultural commodities, and the potential damage to output resulting from extreme weather events. Operations in Ukraine were scaled back in 2011 and continue at this reduced level. The AD plant provides an uncorrelated income stream. Retrospective changes to terms of Hungarian government land leases present a potential risk to some of the land occupied by the company.

In addition the directors have reviewed the performance of the group for the current year, considered the impact of current prices on the budget for 2013, and have determined that the group will comfortably meet its obligations.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

D B Gunner
S L Weaver
W R N Tapp
C G B Combe
A A Hunter

Magyar Farming Company Limited (Group)

(Registered number :03430277)

Report of the Directors for the year ended 31 December 2012

FINANCIAL INSTRUMENTS

The group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk

Companies within the group are engaged in the production of agricultural commodities, including, but not limited to, wheat, maize, barley, oilseed rape, sunflowers, potatoes and milk. All agricultural commodities are subject to the vagaries of the weather and fluctuations in local and world commodity prices. The group has invested across the region to spread the geographic and climatic risk. Individual marketing strategies are selected as appropriate to the crop and the country to minimise risks associated with price volatility. The group does not use derivatives to manage commodity price risks but does enter into forward sales contracts for certain commodities, when appropriate.

Companies within the group also purchase and pack potatoes for supply to a major retailer, and provide drying and storage facilities for farmers. The group reviews major customer relationships from time to time and does not consider at present that any of these present a financial risk to the group.

The group operates in three countries across the region, both inside and outside the EU and is thus exposed to the risks of currency fluctuation. Most commodities are ultimately priced in major currencies (euros or US dollars), which affords some protection against local currency devaluation. The group has secured loans from its bankers in Hungary in a number of currencies to spread the risk from fluctuation.

The group has interest bearing liabilities. The group does not use derivative financial instruments to manage interest rate cost and, as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the operations change in size or nature.

GOING CONCERN

The group meets its day to day working capital requirements through its bank facilities. The directors continue to assess the risks associated with price movements for agricultural commodities and the potential impact of adverse weather events on output. In response to those risks the directors have reviewed the investment in Serbia, have restructured operations in Ukraine, and made a significant non agricultural investment in a biogas plant in Hungary.

In addition the directors have reviewed the performance of the group for the current year, and considered the impact of the current high commodity prices on the budget for 2013, and have determined that the group will comfortably meet its obligations. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated accounts. Further information on the group's borrowings is given in note 16.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Report of the Directors
for the year ended 31 December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are aware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

During the year, the auditors, David Turner & Co Limited, resigned to be replaced by Smailes Goldie Turner Limited who have indicated their willingness to continue in office. A resolution that they be re-appointed will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD.


W R N Tapp - Secretary

Date

26/9/12

Report of the Independent Auditors to the Members of Magyar Farming Company Limited (Group)

We have audited the financial statements of Magyar Farming Company Limited (Group) for the year ended 31 December 2012 on pages seven to thirty six. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of Magyar Farming Company Limited (Group)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Jeremy Allison BSc FCA CF (Senior Statutory Auditor)
for and on behalf of Smailes Goldie Turner Limited
Chartered Accountants
Statutory Auditor
Regent's Court
Princess Street
Hull
HU2 8BA
East Yorkshire

Date 26 September 2013

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Notes	2012 £	2011 £
CONTINUING OPERATIONS			
Revenue		6,585,442	7,295,205
Cost of sales		<u>(2,321,477)</u>	<u>(2,754,837)</u>
GROSS PROFIT		4,263,965	4,540,368
Administrative expenses		<u>(2,886,288)</u>	<u>(2,966,960)</u>
OPERATING PROFIT		1,377,677	1,573,408
Finance costs	3	(257,633)	(940,097)
Finance income	3	<u>247,492</u>	<u>163,676</u>
PROFIT BEFORE INCOME TAX	4	1,367,536	796,987
Income tax	5	<u>(10,750)</u>	<u>106,318</u>
PROFIT FOR THE YEAR		1,356,786	903,305
OTHER COMPREHENSIVE INCOME			
Currency translation differences		(461,488)	(350,391)
Revaluation surplus		-	2,429,377
Income tax relating to components of other comprehensive income		<u>-</u>	<u>(348,274)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(461,488)</u>	<u>1,730,712</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>895,298</u></u>	<u><u>2,634,017</u></u>
Profit attributable to Owners of the parent		<u><u>1,356,786</u></u>	<u><u>903,305</u></u>
Total comprehensive income attributable to Owners of the parent		<u><u>895,298</u></u>	<u><u>2,634,017</u></u>

The notes form part of these financial statements

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Consolidated Statement of Financial Position
31 December 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	994,671	869,987
Property, plant and equipment	8	11,728,885	11,498,315
Investments	9	141	137
		<u>12,723,697</u>	<u>12,368,439</u>
CURRENT ASSETS			
Inventories	10	1,568,077	1,412,621
Trade and other receivables	11	936,292	1,242,285
Tax receivable		298,721	279,767
Cash and cash equivalents	12	181,186	297,345
		<u>2,984,276</u>	<u>3,232,018</u>
TOTAL ASSETS		<u>15,707,973</u>	<u>15,600,457</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	2,438,857	2,438,857
Share premium	14	974,851	974,851
Revaluation reserve	14	2,939,926	2,748,638
Other reserves	14	(765,550)	(236,935)
Retained earnings	14	2,553,147	1,320,522
TOTAL EQUITY		<u>8,141,231</u>	<u>7,245,933</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	15	1,538,467	1,599,817
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	3,616,979	3,765,933
Deferred tax	17	437,685	372,478
		<u>5,593,131</u>	<u>5,738,228</u>
CURRENT LIABILITIES			
Trade and other payables	15	1,179,545	1,514,641
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	794,066	1,101,655
		<u>1,973,611</u>	<u>2,616,296</u>
TOTAL LIABILITIES		<u>7,566,742</u>	<u>8,354,524</u>
TOTAL EQUITY AND LIABILITIES		<u>15,707,973</u>	<u>15,600,457</u>

The notes form part of these financial statements

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Consolidated Statement of Financial Position - continued
31 December 2012

The financial statements were approved by the Board of Directors on *26 September 2013* and were signed on its behalf by

DB Gunner


D B Gunner - Director

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Company Statement of Financial Position
31 December 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7	-	-
Property, plant and equipment	8	-	-
Investments	9	1,318,763	1,318,763
Deferred tax	17	<u>229,561</u>	<u>250,318</u>
		<u>1,548,324</u>	<u>1,569,081</u>
CURRENT ASSETS			
Trade and other receivables	11	4,428,174	4,516,360
Cash and cash equivalents	12	<u>71,198</u>	<u>92,387</u>
		<u>4,499,372</u>	<u>4,608,747</u>
TOTAL ASSETS		<u>6,047,696</u>	<u>6,177,828</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	2,438,857	2,438,857
Share premium	14	974,851	974,851
Retained earnings	14	<u>(503,502)</u>	<u>(297,699)</u>
TOTAL EQUITY		<u>2,910,206</u>	<u>3,116,009</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>2,911,325</u>	<u>2,796,325</u>
CURRENT LIABILITIES			
Trade and other payables	15	<u>226,165</u>	<u>265,494</u>
TOTAL LIABILITIES		<u>3,137,490</u>	<u>3,061,819</u>
TOTAL EQUITY AND LIABILITIES		<u>6,047,696</u>	<u>6,177,828</u>

The financial statements were approved by the Board of Directors on 26 September 2013 and were signed on its behalf by



D B Gunner - Director

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 January 2011	2,438,857	969,503	974,851
Changes in equity			
Total comprehensive income	-	351,019	-
Balance at 31 December 2011	<u>2,438,857</u>	<u>1,320,522</u>	<u>974,851</u>
Changes in equity			
Total comprehensive income	-	1,232,625	-
Balance at 31 December 2012	<u>2,438,857</u>	<u>2,553,147</u>	<u>974,851</u>
	Revaluation reserve £	Other reserves £	Total equity £
Balance at 1 January 2011	744,718	(516,013)	4,611,916
Changes in equity			
Total comprehensive income	2,003,920	279,078	2,634,017
Balance at 31 December 2011	<u>2,748,638</u>	<u>(236,935)</u>	<u>7,245,933</u>
Changes in equity			
Total comprehensive income	191,288	(528,615)	895,298
Balance at 31 December 2012	<u>2,939,926</u>	<u>(765,550)</u>	<u>8,141,231</u>

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Company Statement of Changes in Equity
for the year ended 31 December 2012

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2011	2,438,857	(141,171)	974,851	3,272,537
Changes in equity				
Total comprehensive income	-	(156,528)	-	(156,528)
Balance at 31 December 2011	<u>2,438,857</u>	<u>(297,699)</u>	<u>974,851</u>	<u>3,116,009</u>
Changes in equity				
Total comprehensive income	-	(205,803)	-	(205,803)
Balance at 31 December 2012	<u>2,438,857</u>	<u>(503,502)</u>	<u>974,851</u>	<u>2,910,206</u>

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Consolidated Statement of Cash Flows
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	1	1,535,433	943,204
Interest paid		(158,198)	(217,082)
Tax paid		-	(9,624)
Net cash from operating activities		<u>1,377,235</u>	<u>716,498</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(3,858)	-
Purchase of tangible fixed assets		(1,482,295)	(1,473,331)
Sale of intangible fixed assets		90,952	187,753
Sale of tangible fixed assets		106,291	179,987
Receipt of government grants		303,546	674,889
Interest received		30	6,648
Net cash from investing activities		<u>(985,334)</u>	<u>(424,054)</u>
Cash flows from financing activities			
New loans in year		686,504	879,110
Loan repayments in year		(1,194,564)	(1,195,878)
Amount introduced by directors		-	119,340
Net cash from financing activities		<u>(508,060)</u>	<u>(197,428)</u>
(Decrease)/increase in cash and cash equivalents		<u>(116,159)</u>	<u>95,016</u>
Cash and cash equivalents at beginning of year	2	<u>297,345</u>	<u>202,329</u>
Cash and cash equivalents at end of year	2	<u><u>181,186</u></u>	<u><u>297,345</u></u>

The notes form part of these financial statements

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Notes to the Consolidated Statement of Cash Flows
for the year ended 31 December 2012

1 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2012	2011
	£	£
Profit before income tax	1,367,536	796,987
Depreciation charges	865,330	800,474
Profit on disposal of fixed assets	(5,925)	(45,198)
Change in value of biological assets	(214,619)	(326,330)
Amortisation of intangible assets	23,479	22,613
Effect of foreign exchange rate changes	(190,111)	33,861
Government grants	(229,960)	(218,700)
Net interest cost	200,252	235,649
	1,812,124	1,299,356
Increase in inventories	(192,858)	(267,693)
Decrease/(increase) in trade and other receivables	321,378	(75,679)
Decrease in trade and other payables	(409,069)	(12,780)
Cash generated from operations	1,535,433	943,204

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

Year ended 31 December 2012

	31/12/12	1/1/12
	£	£
Cash and cash equivalents	181,186	297,345

Year ended 31 December 2011

	31/12/11	1/1/11
	£	£
Cash and cash equivalents	297,345	202,329

Magyar Farming Company Limited (Group)

(Registered number :03430277)

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

1 ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of Magyar Farming Company Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain biological assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

Going concern

The group meets its day to day working capital requirements through its bank facilities. The directors continue to assess the risks associated with price movements for agricultural commodities and the potential impact of adverse weather events on output. In response to those risks the directors have reviewed the investment in Serbia, have restructured operations in Ukraine, and made a significant non agricultural investment in a biogas plant in Hungary.

In addition the directors have reviewed the performance of the group for the current year, and considered the impact of the current high commodity prices on the budget for 2013, and have determined that the group will comfortably meet its obligations. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated accounts. Further information on the group's borrowings is given in note 16.

Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Magyar Farming Company Limited (Group)

(Registered number :03430277)

Notes to the Consolidated Financial Statements - continued

for the year ended 31 December 2012

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in accounting policies

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

Financial risk factors

The group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk.

Companies within the group are engaged in the production of agricultural commodities, including, but not limited to, wheat, maize, barley, oilseed rape, sunflowers, potatoes and milk. All agricultural commodities are subject to the vagaries of the weather, and fluctuations in local and world commodity prices. The group has invested across the region to spread the geographic and climatic risk. Individual marketing strategies are selected as appropriate to the crop and the country to minimise risks associated with price volatility. The group does not use derivatives to manage commodity price risks, but does enter into forward sales contracts for certain commodities, when appropriate.

Companies within the group also purchase and pack potatoes for supply to a major retailer, and provide drying and storage facilities for farmers. The group reviews major customer relationships from time to time, and does not consider at present that any of these present a financial risk to the group.

The group operates in three countries across the region, both inside and outside the EU, and is thus exposed to the risks of currency fluctuation. Most commodities are ultimately priced in major currencies (euros or US dollars), which affords some protection against local currency devaluation. The group has secured loans from its bankers in Hungary in a number of currencies to further spread the risk from fluctuation.

The group has interest bearing liabilities. The group does not use derivative financial instruments to manage interest rate cost and as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the operations change in size or nature.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is exercised in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of produce and services. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities.

Property, plant and equipment

Land and buildings comprise mainly agricultural buildings, offices and agricultural land. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown within shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity, all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

- Buildings	40 to 50 years
- Machinery	3 to 5 years
- Vehicles	3 to 5 years
- Furniture fittings and equipment	3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Magyar Farming Company Limited (Group)
(Registered number :03430277)

Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

1 ACCOUNTING POLICIES - continued

Financial assets

(a) Classification

The group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are subsequently carried at amortised cost.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

1 ACCOUNTING POLICIES - continued

Inventories

Raw materials

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and represents costs incurred to date to bring work in progress and finished produce to its current state. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Biological assets

Biological assets included within inventories, comprise crops growing in land owned or rented by the group. Current biological assets are measured at fair value, less costs to sell. This is the present value of the future cash flows expected to be generated from the assets, unless little biological transformation has taken place since the costs were originally incurred or the impact of biological transformation is not expected to have a material effect.

Finished goods

Inventories that are a detachment of produce from a biological asset or the cessation of a biological asset's life process, are measured at fair value less point of sale costs at the point of harvest. This fair value is regarded as cost thereafter.

Trade receivables

Trade receivables are amounts due from customers for produce sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

1 ACCOUNTING POLICIES - continued

All other borrowing costs are recognised in profit or loss in the period in which they are incurred

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share based payments

The group operates an equity-settled, share-based compensation plan, under which the entity receives services as consideration for equity instruments of the group. The fair value of the services received in exchange for the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments.

When the company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

At the end of each reporting period, the group revises its estimates of the number of equity instruments that are expected to be issued based on the conditions set out in the compensation plan. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity where material.

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

1 ACCOUNTING POLICIES - continued

Foreign currencies translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The consolidated financial statements are presented in sterling which is the company's functional and the group's presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges

Foreign exchange gains and losses are presented in the income statement within finance income or cost

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement over the same period that those assets are depreciated

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

1 ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets comprises bought in milk quota and milk quota received free of charge and biological assets

Milk quota is allocated to the group and based on clause no 204, regulation 1234/2007 of the Council of the European Union, is an asset related right received free of charge, and is measured initially at fair value and subsequently at amortised cost. The amortisation period is 5 years. Bought in milk quota is not amortised on the basis that future economic benefits will flow to the group in respect of the quota.

Biological assets within intangible assets, comprise livestock connected with the dairy trade. Livestock is measured at fair value less point of sale costs, based on market prices of livestock of similar age, breed and genetic merit. Changes in fair value of livestock are recognised in the income statement.

Costs such as feed, labour, veterinary services etc are expensed as incurred. The cost of purchases of livestock are capitalised as part of biological assets.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2 EMPLOYEES AND DIRECTORS

	2012	2011
	£	£
Wages and salaries	395,469	423,403
Social security costs	107,199	107,463
	<u>502,668</u>	<u>530,866</u>

The average monthly number of employees during the year was as follows

	2012	2011
Production	59	64
Other	17	13
	<u>76</u>	<u>77</u>

	2012	2011
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

3 NET FINANCE COSTS

	2012 £	2011 £
Finance income		
Trade interest	-	3,283
Bank interest	30	3,365
Foreign exchange gains	<u>247,462</u>	<u>157,028</u>
	<u>247,492</u>	<u>163,676</u>
Finance costs		
Bank loan interest	78,167	126,094
Unsecured loan interest	122,115	116,203
Foreign exchange losses	<u>57,351</u>	<u>697,800</u>
	<u>257,633</u>	<u>940,097</u>
Net finance costs	<u>10,141</u>	<u>776,421</u>

4 PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting)

	2012 £	2011 £
Cost of inventories recognised as expense	2,321,477	2,754,837
Hire of plant and machinery	56,295	7,329
Depreciation - owned assets	865,330	800,475
Profit on disposal of fixed assets	(5,925)	(45,198)
Milk quota amortisation	23,479	22,613
Biological assets amortisation	51,351	40,758
Audit fees	21,000	21,000
Non audit services pursuant to legislation	3,500	3,500
Tax services provided by auditor	<u>500</u>	<u>500</u>

5 INCOME TAX

Analysis of tax expense/(income)

	2012 £	2011 £
Current tax		
Tax	-	9,624
Deferred tax	<u>10,750</u>	<u>(115,942)</u>
Total tax expense/(income) in consolidated statement of comprehensive income	<u>10,750</u>	<u>(106,318)</u>

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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

5 INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2012 £	2011 £
Profit on ordinary activities before income tax	<u>1,367,536</u>	<u>796,987</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 14 200% (2011 - 14 200%)	194,190	113,172
Effects of		
Income not subject to tax	(38,452)	(30,967)
Expenses not deductible for tax purposes	10,638	17,317
Tax credit used for deduction	(5,441)	(29,015)
Tax losses for which no deferred income tax asset was recognised	43,242	58,708
Remeasurement of deferred tax - change in the UK Corporation tax rate	16,252	-
Accelerated tax depreciation	(25,923)	(22,121)
Other permanent differences as a result of consolidation	(183,756)	(213,412)
Tax expense/(income)	<u>10,750</u>	<u>(106,318)</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2012 Tax £	Net £
Currency translation differences	(461,488)	-	(461,488)
Revaluation surplus			
	<u>(461,488)</u>	<u>-</u>	<u>(461,488)</u>

	Gross £	2011 Tax £	Net £
Currency translation differences	(350,391)	-	(350,391)
Revaluation surplus	<u>2,429,377</u>	<u>(348,274)</u>	<u>2,081,103</u>
	<u>2,078,986</u>	<u>(348,274)</u>	<u>1,730,712</u>

6 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(205,803) (2011 - £(156,528)).

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

7 INTANGIBLE ASSETS

MILK QUOTA

COST	Milk quota £
At 1 January 2012	201,072
Additions	3,858
Disposals	-
Exchange differences	<u>2,450</u>
At 31 December 2012	<u>207,380</u>
AMORTISATION	
At 1 January 2012	97,664
Amortisation for year	<u>23,479</u>
	<u>121,143</u>
NET BOOK VALUE	
At 31 December 2012	<u>86,237</u>
At 31 December 2011	<u>103,408</u>

BIOLOGICAL ASSETS

	Cows £
Opening value	766,579
Births	399,778
Sales and deaths	(224,760)
Exchange differences	18,188
Change in value	<u>(51,351)</u>
	<u>908,434</u>

The net book amount of milk quota representing bought in quota that is not amortised is £58,187 (2011 £53,071) The amortisation charge of other quota of £23,479 (2011 £22,631) is included within administrative expenses in the income statement

At 31 December 2012, biological assets comprises 48 bull calves (2011 35), 392 heifers (2011 452), 223 incalf heifers (2011 167) and 787 milking cows (2011 754)

The change in value of the biological assets of £51,351 (2011 £40,758) is included within administrative expenses in the income statement

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

8 PROPERTY, PLANT AND EQUIPMENT

Group

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
COST OR VALUATION				
At 1 January 2012	9,235,367	6,040,416	1,325	15,277,108
Additions	535,418	946,590	287	1,482,295
Disposals	(563)	(331,470)	-	(332,033)
Exchange differences	(330,981)	(17,239)	31	(348,189)
At 31 December 2012	<u>9,439,241</u>	<u>6,638,297</u>	<u>1,643</u>	<u>16,079,181</u>
DEPRECIATION				
At 1 January 2012	445,616	3,332,272	905	3,778,793
Charge for year	162,671	702,415	244	865,330
Eliminated on disposal	-	(231,667)	-	(231,667)
Charge written back	(28,443)	(33,936)	219	(62,160)
At 31 December 2012	<u>579,844</u>	<u>3,769,084</u>	<u>1,368</u>	<u>4,350,296</u>
NET BOOK VALUE				
At 31 December 2012	<u>8,859,397</u>	<u>2,869,213</u>	<u>275</u>	<u>11,728,885</u>
At 31 December 2011	<u>8,789,751</u>	<u>2,708,144</u>	<u>420</u>	<u>11,498,315</u>

Bank borrowings are secured on land, buildings and machinery

Cost or valuation at 31 December 2012 is represented by

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
Valuation in 2006	683,373	-	-	683,373
Valuation in 2011	2,195,441	-	-	2,195,441
Cost	<u>6,560,427</u>	<u>6,638,297</u>	<u>1,643</u>	<u>13,200,367</u>
	<u>9,439,241</u>	<u>6,638,297</u>	<u>1,643</u>	<u>16,079,181</u>

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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

8 PROPERTY, PLANT AND EQUIPMENT - continued

Group

If land and buildings had not been revalued they would have been included at the following historical cost

	2012 £	2011 £
Cost	<u>6,560,427</u>	<u>6,138,455</u>
Aggregate depreciation	<u>(579,844)</u>	<u>(445,616)</u>
Value of land in freehold land and buildings	<u>5,980,583</u>	<u>5,692,839</u>

Land and buildings were valued on a fair value basis on 1 December 2011 by Mr Goran Kordic & Gyor Haz ingatlaniroda

9 INVESTMENTS

Group

	Unlisted investments £
COST	
At 1 January 2012	137
Exchange differences	<u>4</u>
At 31 December 2012	<u>141</u>
NET BOOK VALUE	
At 31 December 2012	<u>141</u>
At 31 December 2011	<u>137</u>

Company

	Shares in group undertakings £
COST	
At 1 January 2012 and 31 December 2012	<u>1,318,763</u>
NET BOOK VALUE	
At 31 December 2012	<u>1,318,763</u>
At 31 December 2011	<u>1,318,763</u>

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

9 INVESTMENTS - continued

Company

The group or the company's investments at the balance sheet date in the share capital of companies include the following

Subsidiaries

Kintyre Kft

Country of incorporation Hungary
Nature of business Farming

	%
Class of shares	holding
Ord Shs	99 99

Inicia Krt

Country of incorporation Hungary
Nature of business Farming

	%
Class of shares	holding
Ord shs	100 00

Cairnwell d o o

Country of incorporation Serbia
Nature of business Farming

	%
Class of shares	holding
Ord shs	100 00

Dryfeholme

Country of incorporation Ukraine
Nature of business Farming

	%
Class of shares	holding
Ord shs	100 00

10 INVENTORIES

	Group	
	2012	2011
	£	£
Raw materials	260,410	145,011
Growing crops	565,554	425,943
Produce	742,113	841,667
	<u>1,568,077</u>	<u>1,412,621</u>

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
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11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Current				
Trade debtors	466,869	501,637	-	-
Amounts owed by group undertakings	-	-	4,419,763	4,510,851
Other debtors	469,423	740,648	8,411	5,509
	<u>936,292</u>	<u>1,242,285</u>	<u>4,428,174</u>	<u>4,516,360</u>

Group and company

All trade and other receivables are categorised as loans and receivables

The fair values of trade and other receivables are not significantly different to their amortised cost. As of 31 December 2012, trade receivables of £44,284 (2011 £55,359) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is £439,464 (2011 £460,573) up to 3 months and £27,404 (2011 £41,064) over 3 months.

There were no trade receivables that were impaired in either 2012 or 2011.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2012	2011
	£	£
UK pound	19,795	39,639
Hungarian forint	716,800	883,544
Serbian dinar	35,406	62,855
Ukrainian hryvnia	42,417	52,400
Euros	121,874	88,510
US dollar	-	115,337
	<u>936,292</u>	<u>1,242,285</u>

The carrying amounts of the company's trade and other receivables are dominated in GBP.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank deposit account	111,643	187,505	1,655	1,653
Cash at bank	69,543	109,840	69,543	90,734
	<u>181,186</u>	<u>297,345</u>	<u>71,198</u>	<u>92,387</u>

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Notes to the Consolidated Financial Statements - continued
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13 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2012 £	2011 £
2,438,013	Ordinary	1	2,438,857	2,438,857
84,382	A Shares	0.01	-	-
			<u>2,438,857</u>	<u>2,438,857</u>

14 RESERVES

Group	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1 January 2012	1,320,522	974,851	2,748,638	(236,935)	4,807,076
Profit for the year	1,356,786				1,356,786
Exchange difference	(124,161)	-	191,288	(528,615)	(461,488)
At 31 December 2012	<u>2,553,147</u>	<u>974,851</u>	<u>2,939,926</u>	<u>(765,550)</u>	<u>5,702,374</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 January 2012	(297,699)	974,851	677,152
Deficit for the year	(205,803)		(205,803)
At 31 December 2012	<u>(503,502)</u>	<u>974,851</u>	<u>471,349</u>

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Current				
Trade creditors	510,121	540,031	1,064	441
Other creditors	174,656	399,161	5,252	15,600
Amounts due to related parties	43,737	162,064	43,737	118,543
Accruals and deferred income	221,071	194,685	176,112	130,910
Deferred government grants	229,960	218,700	-	-
	<u>1,179,545</u>	<u>1,514,641</u>	<u>226,165</u>	<u>265,494</u>

Magyar Farming Company Limited (Group)
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Notes to the Consolidated Financial Statements - continued
for the year ended 31 December 2012

15 TRADE AND OTHER PAYABLES - continued

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Non-current				
Deferred government grants	<u>1,538,467</u>	<u>1,599,818</u>	<u>-</u>	<u>-</u>
	<u>1,538,467</u>	<u>1,599,818</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>2,718,012</u>	<u>3,114,459</u>	<u>226,165</u>	<u>265,494</u>

16 FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Current				
Bank loans	<u>794,066</u>	<u>1,101,655</u>	<u>-</u>	<u>-</u>
Non-current				
Bank loans	<u>705,654</u>	<u>969,608</u>	<u>-</u>	<u>-</u>
Other loans - 1-2 years	<u>2,911,325</u>	<u>2,796,325</u>	<u>2,911,325</u>	<u>2,796,325</u>
	<u>3,616,979</u>	<u>3,765,933</u>	<u>2,911,325</u>	<u>2,796,325</u>

Terms and debt repayment schedule

Group

	1 year or less	2-5 years	Totals
	£	£	£
Bank loans	<u>794,066</u>	<u>705,654</u>	<u>1,499,720</u>
Other loans	<u>-</u>	<u>2,911,325</u>	<u>2,911,325</u>
	<u>794,066</u>	<u>3,616,979</u>	<u>4,411,045</u>

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16 FINANCIAL LIABILITIES - BORROWINGS - continued

Bank borrowings bear average interest rates of 6% annually. Total borrowings include secured liabilities of £1,453,795 (2011 £2,027,594). Bank borrowings are secured by the land, buildings, machinery and subsidies of the group.

The carrying amounts of the group's borrowings are denominated in the following currencies

	2012	2011
UK pound	2,911,325	2,796,325
Hungarian forint	565,676	523,545
Serbian dinar	-	43,669
Euros	934,044	770,788
US dollar	-	733,261
	<u>4,411,045</u>	<u>4,867,588</u>

17 DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows

Group

	2012 £	2011 £
Deferred tax assets to be recovered after more than 12 months	(298,721)	(279,767)
Deferred tax liabilities to be recovered after more than 12 months	<u>437,685</u>	<u>372,478</u>
Deferred tax liabilities - net	<u>138,964</u>	<u>92,711</u>

The gross movement on the deferred income tax account is as follows

	2012 £	2011 £
At 1 January	92,711	(90,269)
Exchange difference	35,503	(49,352)
Income statement charge	10,750	(115,942)
Tax charge relating to components of other comprehensive income	-	348,274
At 31 December	<u>138,964</u>	<u>92,711</u>

Company

	2012 £	2011 £
Deferred tax assets to be recovered after more than 12 months	<u>(229,561)</u>	<u>(250,318)</u>
Deferred tax assets	<u>(229,561)</u>	<u>(250,318)</u>

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18 RELATED PARTY DISCLOSURES

The directors do not consider that there is an ultimate controlling party

The group incurred costs due to the director shareholders listed below (or companies that they were directors of) for consultancy services carried out on normal commercial terms as follows

WRN Tapp £6,400 (2011 £6,400)
Turnstone Farming Company Ltd (of which S L Weaver is a director) £6,400 (2011 £6,400)
D B Gunner £6,400 (2011 £6,400)
Combe Farming Partnership (of which C Combe is a partner) £6,400 (2011 £6,400)

The outstanding balances at the year end in respect of the consultancy services and reimbursed travel expenses were

WRN Tapp £3,256 (2011 £4,816)
Turnstone Farming Company Ltd £13,368 (2011 £7,270)
D B Gunner £17,677 (2011 £14,950)
Combe Farming Partnership £18,448 (2011 £12,318)

D B Gunner had subscribed to £1,651,800 (2011 £1,526,800) of shareholder loans at 31 December 2012 Interest of £62,959 (2011 £53,525) was accrued on this amount at 31 December 2012

The group has used the services of A A H Consultants All transactions were carried out on normal commercial terms A A Hunter is the sole director of A A H Consultants and a shareholder in Magyar Farming Company Limited Total transactions amounted to £155,615 (2011 £93,617) At the balance sheet date the company was owed from A A H Consultants £11,384 (2011 due to £76,817)

In addition A A Hunter had subscribed to £202,025 (2011 £127,025) of shareholder loans at 31 December 2012 Interest of £8,081 (2011 £2,980) was accrued on this amount at 31 December 2012

At the balance sheet date, close family members of A A Hunter, had subscribed to £30,000 (2011 £30,000) of shareholder loans Interest of £1,200 (2011 £378) was accrued on this amount at 31 December 2012

At the balance sheet date, Melanie Combe & Co, a partnership in which Chris Combe is a partner, had subscribed to £Nil (2011 £210,000) of shareholder loans Interest of £Nil (2011 £2,094) was accrued on this amount at 31 December 2012

At the balance sheet date, Chris Combe had subscribed to £150,000 (2011 £Nil) of shareholder loans Interest of £6,000 (2011 £Nil) was accrued on this amount at 31 December 2012

At the balance sheet date, close family members of D B Gunner, had subscribed to £90,000 (2011 £90,000) of shareholder loans Interest of £3,600 (2011 £2,415) was accrued on this amount at 31 December 2012

At the year-end Combe Farming Partnership was owed £12,800 (2011 £12,800) in shareholder loans Interest of £512 (2011 £512) was accrued on this amount at 31 December 2012

Also at the year-end Turnstone Farming Company was owed £Nil (2011 £12,800) in shareholder loans Interest of £Nil (2011 £512) was accrued on this amount at 31 December 2012

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19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2012	2011
	£	£
Profit for the financial year	1,356,786	903,305
Currency related movements	(461,488)	(273,208)
Forex movement on revaluation reserve	-	(77,183)
Revaluation surplus	-	2,429,377
Deferred tax on revaluation surplus	-	(348,274)
Net addition to shareholders' funds	895,298	2,634,017
Opening shareholders' funds	7,245,933	4,611,916
Closing shareholders' funds	8,141,231	7,245,933

Company

	2012	2011
	£	£
Loss for the financial year	(205,803)	(156,528)
Net reduction of shareholders' funds	(205,803)	(156,528)
Opening shareholders' funds	3,116,009	3,272,537
Closing shareholders' funds	2,910,206	3,116,009

20 SHARE-BASED PAYMENT TRANSACTIONS

A share scheme was introduced in 2009 to incentivise senior management and directors. Under this scheme a Remuneration Committee can issue shares to senior management and directors of the group if certain targets are met over a 5 year period.

The scheme, the 'Directors' Share Option Scheme 2009' requires net asset growth of a minimum of 6% per annum. A sliding scale will then operate up to a maximum of 12% net asset value per annum. One of the conditions of the scheme is for the beneficiaries to remain in employment or provide services to the group to qualify for the issue of shares.

The operation of the scheme requires compound net asset values to be met over the whole period of the scheme in order to generate the issue of shares.

During 2012 and 2011 it was determined that due to difficulties experienced in Ukraine and the group's high debt position, the latest targets are extremely difficult to achieve. Therefore no charge has been made in 2012 or 2011 in relation to this scheme. In addition, any potential charge or cumulative charge would not be considered material.

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21 GOVERNMENT GRANTS

The group receives assistance from governments in the form of grants

The grants are received to support capital investment. The grants are carried forward within trade and other payables until such a time that they are used to acquire/construct fixed assets whereupon they are recognised in the income statement over the same period that the relevant assets are depreciated.

It is the group's policy to satisfy all the conditions attached to grants received, and historically have not had to repay grants received. It is therefore unlikely that grants included in trade and other payables will have to be repaid.

In the current year, grants credited to the income statement amounted to £229,960 (2011 £218,700)

Other financial support received from the government in the form of subsidies has been credited in the income statement amounting to £866,482 (2011 £1,034,212)